



GLEIM®

How to Pass the
CIA EXAM:
A System for Success

2016
EDITION

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Irvin N. Gleim

HOW TO PASS THE CIA EXAM: A SYSTEM FOR SUCCESS

For use with *CIA Review*, 2016 Edition

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HOW TO PASS THE CIA EXAM

The *How to Pass the CIA Exam: A System for Success* booklet is a free guide that explains how candidates can register for, study for, and pass the CIA exam. The purpose of this booklet is to answer all of your Frequently Asked Questions and help you develop and implement a system for success for the exam, which includes

1. **Becoming familiar with the exam process, including the exam's purpose, topic coverage, preparation methods, format, administration, grading, and pass rates**
2. **Conceptualizing the subject matter tested**
3. **Perfecting your question-answering techniques**
4. **Planning and practicing exam execution**
5. **Developing the confidence you need to succeed**

GLEIM[®]
CIA Review

Each of these five steps is discussed and illustrated on the following pages. Gleim removes the "mystique" of the CIA exam by providing you with the answers, information, and tools you need to arrive at the test center with a head start **and** the confidence necessary to PASS.

"EXAM SUCCESS GUARANTEED!"

The Gleim CIA Review System **GUARANTEES** that you will pass each part on the first try. Visit www.gleim.com/CIAguarantees to learn more about our guarantees. Because we identify and focus on your weak areas, you will not spend any more time preparing than is necessary to guarantee success.

Gleim Publications, Inc.
P.O. Box 12848
University Station
Gainesville, Florida 32604
(888) 874-5346
(352) 375-0772
Fax: (352) 375-6940
Internet: www.gleim.com
Email: admin@gleim.com

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Go To: www.gleim.com/CIAUpdates

Or: Email update@gleim.com with **CIA SFS 05-15** in the subject line. You will receive our current update as a reply.

Updates are available until the next edition is published.

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ABOUT THE AUTHOR

Irvin N. Gleim is Professor Emeritus in the Fisher School of Accounting at the University of Florida and is a member of the American Accounting Association, Academy of Legal Studies in Business, American Institute of Certified Public Accountants, Association of Government Accountants, Florida Institute of Certified Public Accountants, The Institute of Internal Auditors, and the Institute of Management Accountants. He has had articles published in the *Journal of Accountancy*, *The Accounting Review*, and *The American Business Law Journal* and is author/coauthor of numerous accounting books, aviation books, and CPE courses.

REVIEWERS AND CONTRIBUTORS

Garrett W. Gleim, B.S., CPA (not in public practice), received a Bachelor of Science degree from The Wharton School at the University of Pennsylvania. Mr. Gleim coordinated the production staff, reviewed the manuscript, and provided production assistance throughout the project.

Grady M. Irwin, J.D., is a graduate of the University of Florida College of Law, and he has taught in the University of Florida College of Business. Mr. Irwin provided substantial editorial assistance throughout the project.

Michael Kustanovich, M.A., CPA, is a graduate of Ben-Gurion University of the Negev in Israel. He is a Lecturer of Accountancy in the Department of Accountancy at the University of Illinois at Urbana-Champaign. He has worked in the audit departments of KPMG and PWC and as a financial accounting lecturer in the Department of Economics of Ben-Gurion University of the Negev. Mr. Kustanovich provided substantial editorial assistance throughout the project.

Lawrence Lipp, J.D., CPA (Registered), is a graduate from the Levin College of Law and the Fisher School of Accounting at the University of Florida. Mr. Lipp provided substantial editorial assistance throughout the project.

Dr. Steven A. Solieri, CPA, CMA, CIA, CISA, CITP, CFF, CRISC, is an Assistant Professor at Queens College in Flushing, New York, and is a Founding Member in the Firm of Solieri & Solieri, CPAs, PLLC, New Hyde Park, NY, where he currently practices. Dr. Solieri earned his Ph.D. from Binghamton University and holds four Masters from the University of Michigan, Pace University, Kettering University, and Binghamton University. Dr. Solieri helped develop the instructor materials to be used in conjunction with this text.

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Returns of books purchased from bookstores and other resellers should be made to the respective bookstore or reseller. For more information regarding the Gleim Return Policy, please contact our offices at (888) 874-5346 or visit www.gleim.com/returnpolicy.

STUDY UNIT ONE

THE CIA EXAMINATION: AN OVERVIEW AND PREPARATION INTRODUCTION

(8 pages of outline)

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This booklet is intended to be used with the 2016 edition of the Gleim *CIA Review*. This study unit will give you an overview of The IIA's CIA exam and our suggested method of preparation.

CIA® is the acronym for Certified Internal Auditor. CIA® is a registered trademark of The Institute of Internal Auditors, Inc. The CIA designation is international, with the examination administered in numerous countries. The CIA exam has been administered by The IIA since 1974.

CIA Exam (3-Part)			
Part	Title	Exam Length	Number of Questions
1	Internal Audit Basics	2.5 hrs	125 multiple-choice
2	Internal Audit Practice	2 hrs	100 multiple-choice
3	Internal Audit Knowledge Elements	2 hrs	100 multiple-choice

1.1 FOLLOW THESE STEPS TO PASS THE EXAM

1. Scan this booklet and note where to revisit later in your studying process to obtain a deeper understanding of the CIA exam and how to prepare for it.
 - a. ***How to Pass the CIA Exam: A System for Success*** has six study units:
 - Study Unit 1: The CIA Examination: An Overview and Preparation Introduction
 - Study Unit 2: CIA Exam Syllabus
 - Study Unit 3: Content Preparation, Test Administration, and Performance Grading
 - Study Unit 4: Multiple-Choice Questions
 - Study Unit 5: Preparing to Pass the CIA Exam
 - Study Unit 6: How to Take the CIA Exam

- b. If you feel that you need even more details on the test-taking experience, access Pearson VUE's **Testing Tutorial and Practice Exam** at www.vue.com/athena. You should also view The IIA's **CBT (computer-based test) Exam Tutorial** at www.globaliaa.org/certification. It is available in all languages in which the exam is offered.
 - 1) These tutorials are most useful to candidates who have little or no experience with computerized exams and have anxiety about performing well in unfamiliar circumstances.
 - 2) The Gleim CIA Review emulates the exam environment to reduce candidates' anxiety about computerized exams.
2. BEFORE you begin studying, you may wish to take a **Diagnostic Quiz** at www.gleim.com/QuizCIA.
 - a. The Diagnostic Quiz includes a representative sample of 40 multiple-choice questions and can help determine how much time you should devote to studying particular topic areas.
 - b. When you are finished, you will have immediate access to a Review Session. You will also receive a detailed breakdown of your performance via email.
3. Follow the steps outlined in Study Unit 5, Subunit 7, "How to Use the Gleim CIA Review System." This is the **study plan** that our most successful candidates adhere to.
 - a. As you proceed, be sure to check any **Updates** that may have been released.
 - 1) All online materials are updated automatically.
 - 2) Book updates can be viewed at www.gleim.com/CIAUpdates, or you can have them emailed to you. See the information box in the top right corner of page ii for details.
 - b. **Read this *How to Pass the CIA Exam: A System for Success* booklet** and become completely comfortable with what will be expected from you on test day.
4. Shortly before your test date, take an **Exam Rehearsal** (complimentary with the purchase of the CIA Review System!) at www.gleim.com/RehearseCIA.
 - a. The Gleim Exam Rehearsal is designed to emulate the CIA test-taking experience at Pearson VUE.
 - b. This timed and scored exam tests you not only on the content you have studied, but also on the question-answering and time-management techniques you have learned throughout the Gleim study process.
 - c. When you have completed the exam, study your results to discover where you should **focus your review during the final days before your exam**.
5. **Take and PASS** your selected part of the CIA exam!
 - a. When you have completed the exam, please go to www.gleim.com/feedbackCIA with your **suggestions, comments, and corrections**. We want to know how well we prepared you for your testing experience.

1.2 EXAM FORMAT

The total exam is 6.5 hours of testing (plus 5 minutes per part for a survey). It is divided into three parts as follows:

- Part 1 – Internal Audit Basics
- Part 2 – Internal Audit Practice
- Part 3 – Internal Audit Knowledge Elements

Part 1 consists of 125 questions and lasts for 2.5 hours, while Parts 2 and 3 each contain 100 questions and last for 2 hours. All CIA questions are multiple-choice. The exam is offered continually throughout the year.

1.3 PURPOSE OF THE EXAMINATION

According to The IIA, the CIA® is a “globally accepted certification for internal auditors” through which “individuals demonstrate their competency and professionalism in the internal auditing field.” Successful candidates will have gained “educational experience, information, and business tools that can be applied immediately in any organization or business environment.”

Passing this exam validates and confirms your professional work experience and requires your complete dedication and determination. The benefits include higher salary, increased confidence and competence, and recognition as a member of an elite group of professionals.

1.4 THE INSTITUTE OF INTERNAL AUDITORS (THE IIA)

The IIA is an international professional association that was organized in 1941 to develop the professional status of internal auditing. The IIA’s mission is to be the global voice of the internal audit profession and to provide dynamic leadership. The chapters and affiliated institutes around the world hold regular meetings, seminars, and conferences that encourage members to network with peers, develop professional contacts, and stay informed about current issues and practices in internal auditing.

Go to www.gleim.com/CIAfees for the most current membership fees for the United States, Canada, and Caribbean nations. Specialty (gaming audit, CAE services, and financial services auditor) and group (government audit and standard audit) memberships are also available. Visit www.theiia.org/membership for details.

Individuals outside the United States, Canada, and Caribbean nations may become members of The IIA by joining the nearest institute. Institutes charge their own membership fees and offer local programs and services. Contact the institute directly to obtain specific information regarding fees and membership conditions. Visit www.globaliia.org/Pages/Institutes.aspx to find the nearest IIA institute.

1.5 SUBJECT MATTER TESTED

The IIA publishes exam syllabus to outline topics covered on each part of the CIA exam. We continually adjust the content of our materials to reflect any changes in The IIA’s exam syllabus. The exam syllabus for each of the three parts are presented in Study Unit 2, which begins on page 9. The complete syllabi are presented along with cross-references to the relevant Gleim CIA Review study units/subunits for each topic.

The listing below contains the main sections for each part of the exam. The percentage coverage of each topic is indicated to its right. The IIA provides a range of percent coverage, but for simplicity, Gleim provides the average of that range.

THE IIA’S CIA EXAM SYLLABUS					
Part 1: Internal Audit Basics			Part 3: Internal Audit Knowledge Elements		
I.	Mandatory Guidance	40%	I.	Governance/Business Ethics	10%
II.	Internal Control/Risk	30%	II.	Risk Management	15%
III.	Conducting Internal Audit Engagements – Audit Tools and Techniques	30%	III.	Organizational Structure/Business Processes and Risks	20%
Part 2: Internal Audit Practice			IV.	Communication	7.5%
I.	Managing the Internal Audit Function	45%	V.	Management/Leadership Principles	15%
II.	Managing Individual Engagements	45%	VI.	IT/Business Continuity	20%
III.	Fraud Risks and Controls	10%	VII.	Financial Management	15%
			VIII.	Global Business Environment	5%

1.6 WHEN AND WHERE TO TAKE THE EXAM

The CIA exam is offered continually throughout the year (i.e., there are no predetermined testing windows or black-out dates).

Examinations are administered by computer at hundreds of Pearson VUE testing centers across the United States and internationally. Test centers are located in most metropolitan areas. For help locating Pearson VUE test centers, access the test center locator at www.pearsonvue.com/vtclocator. Most locations are open Monday through Friday with morning and afternoon hours.

1.7 CIA EXAM FEES

One of the many benefits of membership in the IIA is savings on your CIA exam fees. Go to www.gleim.com/CIAfees for the most current application and exam fees.

1.8 STEPS TO BECOME A CIA®

- 1** Become knowledgeable about the exam and decide which part you will take first. Gleim suggests you go in order, starting with Part 1. Your Personal Counselor can help figure out what is best for you!
- 2** Purchase the Gleim CIA Review System to thoroughly prepare for the CIA exam. Commit to our systematic preparation for the exam as described in our review materials, including this *How to Pass the CIA Exam: A System for Success* booklet.
- 3** Set up your Study Planner in Gleim Online to design a personalized study schedule that meets your needs. Then, communicate with your Personal Counselor to ensure you are studying effectively. Call (888) 874-5346 or email personalcounselor@gleim.com.
- 4** Apply for membership in The IIA (suggested but not required).
- 5** Create a profile in The IIA's Certification Candidate Management System (CCMS) and apply to the CIA Certification Program. Then, register online to take the desired part of the exam. You will receive authorization to take the exam from The IIA and will then have 180 days to take that exam part.
- 6** Schedule your test with Pearson VUE (online or call center).
- 7** Work systematically through each study unit in the Gleim CIA Review System.
- 8** Sit for and PASS the CIA exam while you are in control, as described in Study Unit 5 of this booklet. Gleim guarantees success!
- 9** Email or call Gleim or visit www.gleim.com/feedbackCIA with your comments on our study materials and how well they prepared you for the exam.
- 10** Enjoy your career, pursue multiple certifications (CMA, CPA, EA, etc.), recommend Gleim to others who are also taking these exams, and stay up-to-date on your Continuing Professional Education with Gleim CPE.

1.9 THE IIA'S REQUIREMENTS FOR CIA DESIGNATIONS

The CIA® designation is granted only by The IIA. Candidates must complete the following steps to become a CIA®:

1. Complete the appropriate certification application form online and register for the part(s) you are going to take. (Subunit 1.11 has detailed instructions, and there is a worksheet on page 43 you can use to stay organized.)
2. Pass all three parts of the CIA exam.
3. Fulfill or expect to fulfill the education and experience requirements (as discussed in Subunit 1.10).
4. Provide a character reference proving you are of good moral character.
5. Comply with The IIA's Code of Ethics.

Credit can be retained as long as the requirements are fulfilled. However, candidates must complete the program certification process within 4 years of application approval. If a candidate has not completed the certification process in this time, all fees and exam parts will be forfeited.

Candidates who have not successfully completed their exam(s), or who have been accepted into the program but have not taken their exam(s), have the opportunity to extend their program eligibility by 12 months. Candidates may take advantage of The IIA's new, one-time Certification Candidate Program Extension at a cost of \$250 per applicant.

To apply for the extension, access The IIA's Certification Candidate Management System (CCMS) and visit the Complete a Form section.

Once a designation is earned, the CIA® must comply with the program's CPE requirement. You can refer to Subunit 1.12 for more details on CPE requirements for CIAs®.

1.10 EDUCATION AND EXPERIENCE REQUIREMENTS

Anyone who satisfies these character, educational, and professional requirements may sit for the examination.

1. **Bachelor's degree or equivalent.** Candidates must have an undergraduate (4-year) degree, or its equivalent, from an accredited college-level institution.
 - a. Full-time university students who are in their senior (final) year may sit for the CIA exam before completing their education requirement as long as they complete the Student/Professor Application Form and submit the Full-Time Student Status Form.
 - b. Alternatively, subject to approval, candidates may be eligible if they possess (1) 2 years of post-secondary education and 5 years of verified experience in internal audit or its equivalent or (2) 7 years of verified experience in internal audit or its equivalent.
2. **Character reference.** CIA candidates must exhibit high moral and professional character and must submit a character reference from a responsible person, such as a CIA®, supervisor, manager, or educator. The character reference must accompany the candidate's exam application. A character reference form is available on The IIA website.
3. **Work experience.** Candidates are required to have 24 months of internal auditing experience (or the equivalent) prior to receiving the CIA certificate. A master's degree can substitute for 12 of the 24 months. A candidate may sit for the exam before completing the work experience requirements, but (s)he will not be certified until the experience requirement is met.
 - a. Work experience must be verified by a CIA® or the candidate's supervisor. An Experience Verification Form is available on The IIA website and in The IIA's *Certification Candidate Handbook* for use in verifying professional experience. This may accompany the candidate's application or be submitted later when criteria have been met.

1.11 HOW TO (1) APPLY FOR, (2) REGISTER FOR, AND (3) SCHEDULE YOUR CIA EXAM

The following information summarizes the steps to apply to the CIA certification program and register to take an exam part at Pearson VUE. You should read through these steps so you are completely comfortable when you begin the process for yourself. Detailed instructions and screenshots for every step of the application and registration program can be found at www.gleim.com/accounting/cia/steps. You can track your progress and organize your documentation with the help of our CIA Exam Worksheet in the back of this book.

STEP
1. Create a profile in The IIA's CCMS
2. Apply to the CIA Certification Program
3. Register for an exam part
4. Create a profile at Pearson VUE
5. Schedule your exam at Pearson VUE

1. Create a profile in The IIA's Certification Candidate Management System (CCMS) if you have not done so already or if your previous login information has expired.
 - a. Go to The IIA's website (www.globaliaa.org/certification) and click on the link to the CCMS on the right side of the page.
 - b. At the CCMS login page, click on the "First Time Users" link, agree to the terms of use, and complete all of the information to set up your profile. Submit your information.
 - c. The IIA will send you a Candidate ID number and information on how to activate your account.
2. Apply to the CIA Certification Program.
 - a. Log in and activate your account from your confirmation email. You will be directed to your Candidate Landing Page, where you can view the status of any IIA certifications in which you are involved.
 - b. Click on the "Complete a Form" link in the menu bar on the left. All the programs for which you have been authorized to register are displayed.
 - c. Choose "CIA Application" or "CIA Application - Student/Professor."
 - d. Submit your application to the CIA program and wait to receive a "Your application has been approved" email. This email reminds you that you must **still submit your education credentials**.
 - e. Complete your application process by filling out your payment information and submitting your order. Paying by credit card will ensure the quickest processing time. You will receive an "Order Completed" email.
 - f. Submit any required supporting documentation (e.g., education transcripts, Experience Verification Form, Character Reference Form, etc.) using the document upload portal at www.globaliaa.org/certification.
 - g. The IIA will send you an email confirming your application to the CIA program.
3. Register for an exam part.
 - a. Upon receipt of the application confirmation email, log in to the CCMS and click on the "Complete a Form" link in the menu bar on the left. From the New Forms tab (the default), choose the registration form for the exam part you wish to take (e.g., CIA - Part 1 Registration).
 - b. Fill out the payment information and submit your order. Paying by credit card will ensure the quickest processing time. The IIA will send you an "Order Completed" email.

- c. When your order has been processed, The IIA will send you an “Authorization to Test” email authorizing you to schedule the part for which you registered. **You must print out this email and bring it to the testing center with you when you take your exam.** The email states that you need to wait at least 48 hours for your information to be processed, and then you can log in to the Pearson VUE website (www.pearsonvue.com/iaa) to schedule your appointment to sit for the exam. You have 180 days from the day you registered for the exam to sit for it.

**** Wait 48 hours before proceeding to the next step. ****

4. Create a profile at Pearson VUE if you do not already have one.
 - a. Go to Pearson VUE’s website (www.pearsonvue.com/iaa) and click on the “Create Account” link. Fill out the form with the appropriate information.
 - b. The screen will inform you that an email confirming your new account will be sent and that you can go ahead and schedule an exam now. Click “Schedule Exam Now” and proceed to step 5.b. below.
 - c. Pearson VUE will send you an email confirming your new account.
5. Schedule your exam at Pearson VUE.
 - a. Go to Pearson VUE’s website (www.pearsonvue.com/iaa), log in, and click on the “Schedule a Test” link in the menu on the right.
 - b. Follow the on-screen prompts to navigate through the following steps:
 - 1) Selecting the exam part you want to schedule
 - 2) Selecting the language in which you will take your exam
 - 3) Locating and choosing a test center based on your home address
 - 4) Choosing the date and time for your exam
 - c. Review your appointment details to ensure that you have the correct time, date, and location for your test before you finalize your payment.
 - d. Enter your payment information and click “Confirm Order.”
 - e. Print your receipt. Carefully read the Policies information below the receipt.
 - f. Pearson VUE will send you an email confirming your payment and restating your appointment details. The email also contains the rules and procedures of your testing center as well as directions to get there. Print out this email and bring it with you to the testing center on exam day.

1.12 WHAT TO DO AFTER YOU PASS

Once you pass an exam and meet all other program requirements, you will be eligible to receive your certificate. To order your certificate, you must log into your candidate record in CCMS and complete the Certificate Order Form. Scroll down to the section labeled “Certificates” and select appropriately for your designation. The document will be shipped directly to you using a standard postal service method at no charge. Expedited shipping is available for an additional cost.

After certification, CIAs® are required to maintain and update their knowledge and skills. Practicing CIAs® must complete and report 40 hours of Continuing Professional Education (CPE) every year. The reporting deadline is December 31. Complete your CPE Reporting Form through the online Certification Candidate Management System. Nonmembers must submit a US \$100 processing fee with their report. Contact Gleim for all of your CPE needs.

1.13 THE GLEIM SYSTEM FOR CIA SUCCESS

The following is an abbreviated description of the information that is covered throughout the rest of this booklet.

The Preparation Process -- In order to be successful on examinations, you need to

1. **Become familiar with the exam process, including the exam's purpose, topic coverage, preparation methods, format, administration, grading, and pass rates.**
2. **Conceptualize the subject matter tested.**
3. **Perfect your question-answering techniques.**
4. **Plan and practice exam execution.**
5. **Develop the confidence you need to succeed.**



Need more?

GLEIM® offers even more help to CIA candidates from experienced professors:

- ☒ LIVE review and study sessions
- ☒ Professor leadership
- ☒ Interactive LIVE community

Visit gleim.com/MoreCIA or call **888.874.5346** to find locations near you.

STUDY UNIT TWO

CIA EXAM SYLLABUS

(8 pages of outline)

2.1	Overview of CIA Exam Syllabus	9
2.2	Exam Syllabus: Part 1 – Internal Audit Basics	10
2.3	Exam Syllabus: Part 2 – Internal Audit Practice	11
2.4	Exam Syllabus: Part 3 – Internal Audit Knowledge Elements	14

2.1 OVERVIEW OF CIA EXAM SYLLABUS

In this study unit, we have reproduced verbatim The IIA's CIA Exam Syllabus from its website (www.globaliia.org/certification/cia-certification/pages/cia-2013-exam-syllabus.aspx). Note that "proficiency level" means the candidate should have a thorough understanding and the ability to apply concepts in the topics listed. "Awareness level" means the candidate must have a grasp of the terminology and fundamentals of the concepts listed. Unless otherwise noted, all items in Parts 1 and 2 will be tested at the proficiency level, and all items in Part 3 will be tested at the awareness level.

We also have provided cross-references to the study units and subunits in the appropriate Gleim book that correspond to The IIA's more detailed coverage. If one entry appears above a list, it applies to all items.

The IIA summarizes each part as follows:

Part 1: Internal Audit Basics

Part 1 tests "aspects of mandatory guidance from the IPPF, internal control and risk concepts, as well as tools and techniques for conducting internal audit engagements."

Thus, CIA candidates will need to know the basics of internal auditing and regulatory requirements from the Standards and Code of Ethics.

Part 2: Internal Audit Practice

Part 2 tests "managing the internal audit function via the strategic and operational role of internal audit and establishing a risk-based plan; the steps to manage individual engagements (planning, supervision, communicating results, and monitoring outcomes); as well as fraud risks and controls."

Thus, CIA candidates will need to apply analysis to the internal audit basics covered in Part 1 and understand some additional topics, including fraud.

Part 3: Internal Audit Knowledge Elements

Part 3 tests "governance and business ethics; risk management; organizational structure, including business processes and risks; communication; management and leadership principles; information technology and business continuity; financial management; and the global business environment."

Thus, CIA candidates are tested on topics that are also included in Parts 1 and 2. The majority of Part 3 covers topics that most internal auditors need to have an awareness of in practice.

The Gleim **CIA Review System** is organized to ensure comprehensive coverage of The IIA's CIA Exam Syllabus.

2.2 EXAM SYLLABUS: PART 1 – INTERNAL AUDIT BASICS

I. **Mandatory Guidance (35-45%)** (proficiency level)

- A. Definition of Internal Auditing (1.1)
 - 1. Define purpose, authority, and responsibility of the internal audit activity
- B. Code of Ethics (1.3-1.7)
 - 1. Abide by and promote compliance with The IIA Code of Ethics
- C. International Standards
 - 1. Comply with The IIA's Attribute Standards (1.8)
 - a. Determine if the purpose, authority, and responsibility of the internal audit activity are documented in audit charter, approved by the Board and communicated to the engagement clients
 - b. Demonstrate an understanding of the purpose, authority, and responsibility of the internal audit activity
 - 2. Maintain independence and objectivity (2.1-2.3)
 - a. Foster independence
 - 1. Understand organizational independence
 - 2. Recognize the importance of organizational independence
 - 3. Determine if the internal audit activity is properly aligned to achieve organizational independence
 - b. Foster objectivity
 - 1. Establish policies to promote objectivity
 - 2. Assess individual objectivity
 - 3. Maintain individual objectivity
 - 4. Recognize and mitigate impairments to independence and objectivity
 - 3. Determine if the required knowledge, skills, and competencies are available (2.4-2.6)
 - a. Understand the knowledge, skills, and competencies that an internal auditor needs to possess
 - b. Identify the knowledge, skills, and competencies required to fulfill the responsibilities of the internal audit activity
 - 4. Develop and/or procure necessary knowledge, skills, and competencies collectively required by the internal audit activity (2.5-2.6)
 - 5. Exercise due professional care (2.4, 2.6)
 - 6. Promote continuing professional development (2.6)
 - a. Develop and implement a plan for continuing professional development for internal audit staff
 - b. Enhance individual competency through continuing professional development
 - 7. Promote quality assurance and improvement of the internal audit activity (2.7-2.9)
 - a. Monitor the effectiveness of the quality assurance and improvement program
 - b. Report the results of the quality assurance and improvement program to the board or other governing body
 - c. Conduct quality assurance procedures and recommend improvements to the performance of the internal audit activity

II. **Internal Control / Risk (25-35%)** (awareness level)

- A. Types of Controls (e.g., preventive, detective, input, output, etc.) (4.1-4.2)
- B. Management Control Techniques (4.3-4.5)
- C. Internal Control Framework Characteristics and Use (e.g., COSO, Cadbury) (3.1-3.5)
 - 1. Develop and implement an organization-wide risk and control framework
- D. Alternative Control Frameworks (3.1-3.3)
- E. Risk Vocabulary and Concepts (3.1-3.3)
- F. Fraud Risk Awareness (3.4-3.5)
 - 1. Types of fraud
 - 2. Fraud red flags

III. Conducting Internal Audit Engagements – Audit Tools and Techniques (25-35%) (proficiency level)

- A. Data Gathering (Collect and analyze data on proposed engagements)
 - 1. Review previous audit reports and other relevant documentation as part of a preliminary survey of the engagement area (5.3)
 - 2. Develop checklists/internal control questionnaires as part of a preliminary survey of the engagement area (5.4)
 - 3. Conduct interviews as part of a preliminary survey of the engagement area (5.3)
 - 4. Use observation to gather data (5.6)
 - 5. Conduct engagement to assure identification of key risks and controls (5.3)
 - 6. Sampling (non-statistical [judgmental] sampling method, statistical sampling, discovery sampling, and statistical analyses techniques) (SU 6)
- B. Data Analysis and Interpretation (7.1-7.4, 7.7)
 - 1. Use computerized audit tools and techniques (e.g., data mining and extraction, continuous monitoring, automated work papers, embedded audit modules)
 - 2. Conduct spreadsheet analysis
 - 3. Use analytical review techniques (e.g., ratio estimation, variance analysis, budget vs. actual, trend analysis, other reasonableness tests)
 - 4. Conduct benchmarking
 - 5. Draw conclusions
- C. Data Reporting (7.3)
 - 1. Report test results to auditor in charge
 - 2. Develop preliminary conclusions regarding controls
- D. Documentation / Work Papers (7.5-7.6)
 - 1. Develop work papers
- E. Process Mapping, Including Flowcharting (4.3)
- F. Evaluate Relevance, Sufficiency, and Competence of Evidence (5.1-5.2)
 - 1. Identify potential sources of evidence

2.3 EXAM SYLLABUS: PART 2 – INTERNAL AUDIT PRACTICE

I. Managing the Internal Audit Function (40-50%)

- A. Strategic Role of Internal Audit
 - 1. Initiate, manage, be a change catalyst, and cope with change (1.7)
 - 2. Build and maintain networking with other organization executives and the audit committee (1.5)
 - 3. Organize and lead a team in mapping, analysis, and business process improvement (1.6)
 - 4. Assess and foster the ethical climate of the board and management (1.4)
 - a. Investigate and recommend resolution for ethics/compliance complaints, and determine disposition of ethics violations
 - b. Maintain and administer business conduct policy (e.g., conflict of interest), and report on compliance
 - 5. Educate senior management and the board on best practices in governance, risk management, control, and compliance (1.1)
 - 6. Communicate internal audit key performance indicators to senior management and the board on a regular basis (1.6)
 - 7. Coordinate IA efforts with external auditor, regulatory oversight bodies and other internal assurance functions (1.5)
 - 8. Assess the adequacy of the performance measurement system, achievement of corporate objective – **Awareness Level (A)** (1.6)

B. Operational Role of IA

1. Formulate policies and procedures for the planning, organizing, directing, and monitoring of internal audit operations (1.2)
2. Review the role of the internal audit function within the risk management framework (1.8)
3. Direct administrative activities (e.g., budgeting, human resources) of the internal audit department (1.2)
4. Interview candidates for internal audit positions (1.2)
5. Report on the effectiveness of corporate risk management processes to senior management and the board (1.8)
6. Report on the effectiveness of the internal control and risk management frameworks (1.8)
7. Maintain effective Quality Assurance Improvement Program (1.9)

C. Establish Risk-Based IA Plan

1. Use market, product, and industry knowledge to identify new internal audit engagement opportunities (4.3)
2. Use a risk framework to identify sources of potential engagements (e.g., audit universe, audit cycle requirements, management requests, regulatory mandates) (4.3)
3. Establish a framework for assessing risk (4.3)
4. Rank and validate risk priorities to prioritize engagements in the audit plan (4.3)
5. Identify internal audit resource requirements for annual IA plan (4.4)
6. Communicate areas of significant risk and obtain approval from the board for the annual engagement plan (6.3)
7. Types of engagements
 - a. Conduct assurance engagements (2.1)
 - a.1 Risk and control self-assessments (2.2)
 - a) Facilitated approach
 - (1) Client-facilitated
 - (2) Audit-facilitated
 - b) Questionnaire approach
 - c) Self-certification approach
 - a.2 Audits of third parties and contract auditing (2.3)
 - a.3 Quality audit engagements (2.4)
 - a.4 Due diligence audit engagements (2.5)
 - a.5 Security audit engagements (2.6)
 - a.6 Privacy audit engagements (2.6)
 - a.7 Performance audit engagements (key performance indicators) (2.7)
 - a.8 Operational audit engagements (efficiency and effectiveness) (2.7)
 - a.9 Financial audit engagements (3.2)
 - b. Compliance audit engagements (2.8, 3.1)
 - c. Consulting engagements (3.3-3.4)
 - c.1 Internal control training
 - c.2 Business process mapping
 - c.3 Benchmarking
 - c.4 System development reviews
 - c.5 Design of performance measurement systems

II. Managing Individual Engagements (40-50%)**A. Plan Engagements**

1. Establish engagement objectives/criteria and finalize the scope of the engagement (4.1)
2. Plan engagement to assure identification of key risks and controls (4.2)
3. Complete a detailed risk assessment of each audit area (prioritize or evaluate risk/control factors) (4.3)
4. Determine engagement procedures and prepare engagement work program (5.2)
5. Determine the level of staff and resources needed for the engagement (4.5)
6. Construct audit staff schedule for effective use of time (4.5)

B. Supervise Engagement

1. Direct / supervise individual engagements (5.2)
2. Nurture instrumental relations, build bonds, and work with others toward shared goals (5.2)
3. Coordinate work assignments among audit team members when serving as the auditor-in-charge of a project (5.2)
4. Review work papers (5.3)
5. Conduct exit conference (5.3)
6. Complete performance appraisals of engagement staff (5.3)

C. Communicate Engagement Results

1. Initiate preliminary communication with engagement clients (6.1)
2. Communicate interim progress (6.1)
3. Develop recommendations when appropriate (6.2)
4. Prepare report or other communication (6.3)
5. Approve engagement report (6.5)
6. Determine distribution of the report (6.5)
7. Obtain management response to the report (6.6)
8. Report outcomes to appropriate parties (6.7)

D. Monitor Engagement Outcomes (6.8)

1. Identify appropriate method to monitor engagement outcomes
2. Monitor engagement outcomes and conduct appropriate follow-up by the internal audit activity
3. Conduct follow-up and report on management's response to internal audit recommendations
4. Report significant audit issues to senior management and the board periodically

III. Fraud Risks and Controls (5-15%)

- A. Consider the potential for fraud risks and identify common types of fraud associated with the engagement area during the engagement planning process (7.1)
- B. Determine if fraud risks require special consideration when conducting an engagement (7.1)
- C. Determine if any suspected fraud merits investigation (7.2)
- D. Complete a process review to improve controls to prevent fraud and recommend changes (7.3)
- E. Employ audit tests to detect fraud (7.4)
- F. Support a culture of fraud awareness, and encourage the reporting of improprieties (7.5)
- G. Interrogation / investigative techniques – **Awareness Level (A)** (7.2)
- H. Forensic auditing – **Awareness Level (A)** (7.4)

2.4 EXAM SYLLABUS: PART 3 – INTERNAL AUDIT KNOWLEDGE ELEMENTS

I. Governance/Business Ethics (5-15%)

- A. Corporate/Organizational Governance Principles – **Proficiency Level (P)** (1.1-1.2)
- B. Environmental and Social Safeguards (1.3)
- C. Corporate Social Responsibility (1.4)

II. Risk Management (10-20%) – Proficiency Level (P)

- A. Risk Management Techniques (2.1)
- B. Organizational Use of Risk Frameworks (2.2)

III. Organizational Structure/Business Processes and Risks (15-25%)

- A. Risk/Control Implications of Different Organizational Structures (3.1)
- B. Structure (e.g., centralized/decentralized) (3.2-3.3)
- C. Typical Schemes in Various Business Cycles (e.g., procurement, sales, knowledge, supply-chain management) (3.4)
- D. Business Process Analysis (e.g., workflow analysis and bottleneck management, theory of constraints) (3.5)
- E. Inventory Management Techniques and Concepts (4.1-4.2)
- F. Electronic Funds Transfer (EFT)/Electronic Data Interchange (EDI)/E-commerce (4.3)
- G. Business Development Life Cycles (4.4)
- H. The International Organization for Standardization (ISO) Framework (4.5)
- I. Outsourcing Business Processes (4.6)

IV. Communication (5-10%)

- A. Communication (e.g., the process, organizational dynamics, impact of computerization) (5.1-5.3)
- B. Stakeholder Relationships (5.4)

V. Management/Leadership Principles (10-20%)

- A. Strategic Management
 - 1. Global analytical techniques (6.1)
 - a. Structural analysis of industries (6.2)
 - b. Competitive strategies (e.g., Porter's model) (6.3)
 - c. Competitive analysis (6.4)
 - d. Market signals (6.5)
 - e. Industry evolution (7.1)
 - 2. Industry environments (7.2-7.5)
 - a. Competitive strategies related to:
 - 1. Fragmented industries
 - 2. Emerging industries
 - 3. Declining industries
 - b. Competition in global industries
 - 1. Sources/impediments
 - 2. Evolution of global markets
 - 3. Strategic alternatives
 - 4. Trends affecting competition
 - 3. Strategic decisions
 - a. Analysis of integration strategies (8.1)
 - b. Capacity expansion (8.2)
 - c. Entry into new businesses (8.3)
 - 4. Forecasting (8.4-8.6)
 - 5. Quality management (e.g., TQM, Six Sigma) (8.7-8.10)
 - 6. Decision analysis (8.1)

B. Organizational Behavior

1. Organizational theory (structures and configurations) (9.1)
2. Organizational behavior (e.g., motivation, impact of job design, rewards, schedules) (9.2)
3. Group dynamics (e.g., traits, development stages, organizational politics, effectiveness) (9.3-9.5)
4. Knowledge of human resource processes (e.g., individual performance management, supervision, personnel sourcing/staffing, staff development) (9.6)
5. Risk/control implications of different leadership styles (10.1)
6. Performance (productivity, effectiveness, etc.) (9.6)

C. Management Skills/Leadership Styles

1. Lead, inspire, mentor, and guide people, building organizational commitment and entrepreneurial orientation (10.1)
2. Create group synergy in pursuing collective goals (10.2)
3. Team-building and assessing team performance (10.2)

D. Conflict Management (10.3, 10.4)

1. Conflict resolution (e.g., competitive, cooperative, and compromise) (10.3)
2. Negotiation skills (10.4)
3. Conflict management (10.3)
4. Added-value negotiating (10.4)

E. Project Management/Change Management

1. Change management (10.5)
2. Project management techniques (10.6)

VI. IT/Business Continuity (15-25%)

A. Security

1. Physical/system security (e.g., firewalls, access control) (11.1)
2. Information protection (e.g., viruses, privacy) (11.2)
3. Application authentication (11.3)
4. Encryption (11.3)

B. Application Development

1. End-user computing (11.4)
2. Change control – **Proficiency Level (P)** (11.5)
3. Systems development methodology – **Proficiency Level (P)** (11.6)
4. Application development – **Proficiency Level (P)** (11.6)
5. Information systems development (11.6)

C. System Infrastructure

1. Workstations (12.1)
2. Databases (12.1)
3. IT control frameworks (e.g., eSAC, COBIT) (12.2-12.4)
4. Functional areas of IT operations (e.g., data center operations) (13.1)
5. Enterprise-wide resource planning (ERP) software (e.g., SAP R/3) (13.2)
6. Data, voice, and network communications/connections (e.g., LAN, VAN, and WAN) (13.4)
7. Server (13.3)
8. Software licensing (13.5)
9. Mainframe (13.3)
10. Operating systems (13.4)
11. Web infrastructure (13.3)

D. Business Continuity

1. IT contingency planning (13.6)

VII. Financial Management (10-20%)**A. Financial Accounting and Finance**

1. Basic concepts and underlying principles of financial accounting (e.g., statements, terminology, relationships) (14.1-14.8)
2. Intermediate concepts of financial accounting (e.g., bonds, leases, pensions, intangible assets, R&D) (14.9, 15.1-15.2)
3. Advanced concepts of financial accounting (e.g., consolidation, partnerships, foreign currency transactions) (15.3-15.5)
4. Financial statement analysis (e.g., ratios) (15.6-15.11)
5. Types of debt and equity (16.3-16.4)
6. Financial instruments (e.g., derivatives) (16.2)
7. Cash management (e.g., treasury functions) (16.7)
8. Valuation models (14.6)
9. Business valuation (15.10)
10. Inventory valuation (14.6)
11. Capital budgeting (e.g., cost of capital evaluation) (16.5-16.6)
12. Taxation schemes (e.g., tax shelters, VAT) (20.5)

B. Managerial Accounting

1. General concepts (17.1)
2. Costing systems (e.g., activity-based, standard) (17.4-17.5)
3. Cost concepts (e.g., absorption, variable, fixed) (17.2-17.3)
4. Relevant cost (18.4)
5. Cost-volume-profit analysis (18.3)
6. Transfer pricing (18.6)
7. Responsibility accounting (18.5)
8. Operating budget (18.1-18.2)

VIII. Global Business Environment (0-10%)**A. Economic/Financial Environments**

1. Global, multinational, international, and multi-local compared and contrasted (19.1)
2. Requirements for entering the global marketplace (19.1-19.2)
3. Creating organizational adaptability (19.2)
4. Managing training and development (19.4)

B. Cultural/Political Environments

1. Balancing global requirements and local imperatives (19.2)
2. Global mindsets (personal characteristics/competencies) (19.3-19.4)
3. Sources and methods for managing complexities and contradictions (19.3-19.4)
4. Managing multicultural teams (19.3-19.4)

C. Legal and Economics — General Concepts (e.g., contracts) (20.1-20.5)**D. Impact of Government Legislation and Regulation on Business (e.g., trade legislation) (20.6)**

STUDY UNIT THREE

CONTENT PREPARATION, TEST ADMINISTRATION, AND PERFORMANCE GRADING

(3 pages of outline)

3.1	<i>The Nondisclosed Exam</i>	17
3.2	<i>The IIA's Professional Certification Department</i>	17
3.3	<i>Which Standards are Tested?</i>	18
3.4	<i>Pretest Questions</i>	18
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3.6	<i>Pass Rates on the CIA Exam</i>	19

This study unit consists primarily of the procedures and rules used to prepare and administer the exam. Remember, the more you know about the examination process and what to expect, the bigger your competitive advantage over others taking the exam. Leave nothing to chance and be in total control of the examination process.

3.1 THE NONDISCLOSED EXAM

The CIA exam is **nondisclosed**, which means that exam questions and solutions are NOT released after each examination. As part of The IIA's nondisclosure policy and to prove each candidate's willingness to adhere to this policy, a confidentiality and nondisclosure statement must be accepted by each candidate before each part is taken. This statement is reproduced here to remind all CIA candidates about The IIA's strict policy of nondisclosure, which Gleim consistently supports and upholds.

This exam is confidential and is protected by law. It is made available to you, the examinee, solely for the purpose of becoming certified. You are expressly prohibited from disclosing, publishing, reproducing, or transmitting this exam, in whole or in part, in any form or by any means, verbal or written, electronic or mechanical, for any purpose, without the prior written permission of The Institute of Internal Auditors (IIA).

In the event of any actual or anticipated breach by you of the above, you acknowledge that The IIA will incur significant and irreparable damage for each such breach and that The IIA has no adequate remedy at law for such breach. You further acknowledge that such breach may result in your certification being revoked, disqualification as a candidate for future certification, and suspension or revocation of membership privileges at The IIA's discretion.

If you do not accept the exam non-disclosure agreement, your exam will be terminated. If this occurs, your registration will be voided, you will forfeit your exam registration fee, and you will be required to register and pay for that exam again in order to sit for it in the future.

3.2 THE IIA'S PROFESSIONAL CERTIFICATION DEPARTMENT

The Professional Certification Department is comprised of the Professional Certifications Board (PCB) and the Exam Development Committee (EDC).

According to The IIA, The PCB's mission is "to govern and promote The IIA's global certification programs." This includes responsibility for the CIA program's strategic plans, policies, and achievement of objectives. In addition, the PCB develops and administers the CIA program's disciplinary policies and defines the continuing professional education requirements.

The EDC is a subcommittee of the PCB. Its specific responsibilities include defining the common body of knowledge that will be tested on the CIA exam and managing the exam syllabus, questions, and structure.

3.3 WHICH STANDARDS ARE TESTED?

Updated standards are eligible to be tested on the CIA exam 6 months after the standards have been in effect.

3.4 PRETEST QUESTIONS

The IIA pretests multiple-choice questions that do not count toward your final score on each exam part. You will not know which are “pretest” questions and thus must answer each question as if it will be graded.

3.5 GRADING AND SCORE REPORT

Examination scores are confidential and will be revealed only to the candidate and The IIA. The candidate will receive an unofficial printed score report before leaving the test site. An email will then be sent when official results are available in the CCMS.

Scaled scores are determined by calculating the number of questions answered correctly from the total number of questions in the examination and converting to a scale that ranges from 250 to 750. The IIA has set the scaled passing score at 600, which corresponds to a minimum level of knowledge deemed acceptable for CIAs®.

For a passing exam, the score report will only show a passing designation. It will not show a score. For a failing exam, the score report will show a scaled score between 250 and 599. In addition, diagnostic information detailing the section(s) in which the candidate needs improvement is provided. This information will assist the candidate with future exam preparation. See the following example Score Reports.

The Institute of Internal Auditors Score Report	
Candidate: Jane Doe	
Candidate ID: 654321	Date: 2/27/15
Registration Number: 987654321	Site: 54321
Exam: Certified Internal Auditor - Part 1, Internal Audit Basics	
Exam Number: IIA-CIA-Part1-3P	
<hr/> Unofficial Examination Results Your Result: Pass	
<hr/> <p style="text-align: center;">This is not an official grade report.</p>	

The Institute of Internal Auditors

Score Report

Candidate: John Doe

Candidate ID: 123456

Date: 2/27/15

Registration Number: 123456789

Site: 12345

Exam: Certified Internal Auditor - Part 2, Internal Audit Practice

Exam Number: IIA-CIA-Part2-3P

Unofficial Examination Results

Your Score: 520

Your Result: Fail

Performance Assessment

Managing the Internal Audit Function (40-50%): You need moderate improvement in this area.

Managing Individual Engagements (40-50%): You need significant improvement in this area.

Fraud Risks and Controls (5-15%): You need moderate improvement in this area.

This is not an official grade report.

3.6 PASS RATES ON THE CIA EXAM

CIA Exam Pass Rates*			
	2012	2013	2014
<i>Part 1</i>	55%	52%	54%
<i>Part 2</i>	77%	72%	81%
<i>Part 3</i>	54%	47%	40%
<i>Part 4</i>	72%	79%	n/a

The implication of these rates for you as a CIA candidate is that you have to be a top candidate to pass. A major difference among CIA candidates is their preparation program. You have access to the best CIA review material; it is up to you to use it. Conversely, if you do not apply the suggestions in this booklet, *How to Pass the CIA Exam: A System for Success*, you will be at a disadvantage against the tens of thousands of candidates who pass with Gleim. Even if you are enrolled in a review course that uses other manuals, you will benefit with the Gleim CIA Review System. Compare our products to theirs and understand why Gleim has helped more CIA candidates than any other program.

*These pass rates are for the English-language exam only and are the most current at the time of print. Check www.gleim.com/becomeCIA for updates as they are available.



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STUDY UNIT FOUR

MULTIPLE-CHOICE QUESTIONS

(10 pages of outline)

4.1	<i>Exam Format Recap</i>	21
4.2	<i>Multiple-Choice Questions</i>	21
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This study unit explains question formats that appear on the CIA exam along with suggested time-budgeting and question-answering techniques. We show and explain how Pearson VUE screens appear on the CIA exam, and our sessions emulate the functionality so you are completely comfortable on exam day.

You will probably recognize that your question-answering technique is a specific control system application. We cannot say that your question-answering technique control system is *more* important than your other control systems, which include understanding the exam, studying individual Gleim study units, and planning and practicing exam execution. You will, however, be confident about your performance on the CIA exam when you are poised to maximize your points on every question.

4.1 EXAM FORMAT RECAP

There are three parts to the CIA exam:

- Part 1: *Internal Audit Basics*
- Part 2: *Internal Audit Practice*
- Part 3: *Internal Audit Knowledge Elements*

Part 1 consists of **125 multiple-choice questions to be answered in 2 hours and 30 minutes (150 minutes)**. Parts 2 and 3 each consist of **100 multiple-choice questions to be answered in 2 hours (120 minutes)**. If you complete your multiple-choice questions by allocating 1 minute per question, you will have 25 minutes for review in Part 1 and 20 minutes for review in Parts 2 and 3.

4.2 MULTIPLE-CHOICE QUESTIONS

Multiple-choice questions consist of a stem (the question) and four answer choices. One answer is correct, and three answer choices are incorrect. Another view is that there is one answer choice that is the **best** response to the question stem.

Several types of multiple-choice formats are used on the CIA exam, and you might encounter any or all of them. Examples are shown in the following sample questions.

The first example is a direct question. You must select the answer that best corresponds to the question. These questions are straightforward.

1. An organization is in the process of establishing its new internal audit activity. The controller has no previous experience with internal auditors. Due to this lack of experience, the controller advised the applicants that the CAE will be reporting to the external auditors. However, the new chief audit executive will have free access to the controller to report anything important. The controller will then convey the CAE's concerns to the board of directors. The internal audit activity will

- A. Be independent because the CAE has direct access to the board.
- B. Not be independent because the CAE reports to the external auditors.
- C. Not be independent because the controller has no experience with internal auditors.
- D. Not be independent because the organization did not specify that the applicants must be certified internal auditors.

Some multiple-choice questions contain negative phrasing, using words like *except*, *not*, *unless*, *least*, etc., as illustrated below.

Which of the following is **not** included in the statement of scope in an engagement final communication?

The purposes of the *Standards* include all of the following **except**

These negative stems ask for the false answer choice, which is accompanied by three true answer choices. Presumably, The IIA will print some or all of these **negative** words in bold type, as illustrated above.

Other types of multiple-choice questions include

- 1. Questions with two or three answer options
- 2. Questions with two, three, or four variables in each answer
- 3. Graphic representations

The IIA often converts two- and three-answer multiple-choice questions into four-answer multiple-choice questions. You must decide whether one, two, or all of the options are correct and pick the corresponding answer choice.

2. Which of the following facts, by themselves, could contribute to a lack of independence of the internal audit activity?

- 1. The CEO accused the new auditor of not operating "in the best interests of the organization."
- 2. The majority of audit committee members come from within the organization.
- 3. The internal audit activity's charter has not been approved by the board.

- A. 1 only.
- B. 2 only.
- C. 2 and 3 only.
- D. 1, 2, and 3.

Due to candidate feedback that this type of question proves to be one of the trickiest or most difficult to answer, Gleim has made available a special Gleim Instruct video explaining how to best approach these multiple answer multiple-choice questions. You can access this video from within your Gleim Online course or at www.gleim.com/CIAMCQHelp.

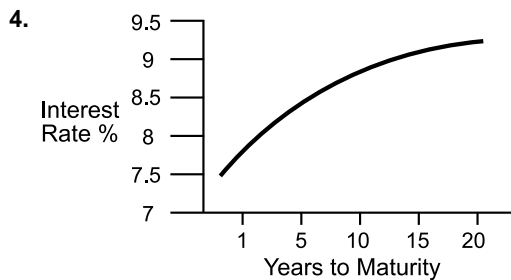
Other multiple-choice questions have several variables (or answers) within each answer option and are presented in columns. You must choose the answer that contains a correct statement in each column.

3. Which of the following represents the best statement of responsibilities for risk management?

	Management	Internal Auditing	Board
A.	Responsibility for risk	Oversight role	Advisory role
B.	Oversight role	Responsibility for risk	Advisory role
C.	Responsibility for risk	Advisory role	Oversight role
D.	Oversight role	Advisory role	Responsibility for risk

Due to candidate feedback that this type of question proves to be one of the trickiest or most difficult to answer, Gleim has made available a special Gleim Instruct video explaining how to best approach these column-type multiple-choice questions. You can access this video from within your Gleim Online course or at www.gleim.com/CIAMCQHelp.

Yet other questions require various graphical interpretations, as illustrated in question 4 below. You must interpret the graph and select the appropriate answer choice.



The yield curve shown implies that the

- A. Credit risk premium of corporate bonds has increased.
- B. Credit risk premium of municipal bonds has increased.
- C. Long-term interest rates have a higher annualized yield than short-term rates.
- D. Short-term interest rates have a higher annualized yield than long-term rates.

The answer explanations for the sample questions appear below.

1. The correct answer is (B).

REQUIRED: The true statement about a requirement that the internal audit activity report to the external auditors and the controller.

DISCUSSION: To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the CAE has direct and unrestricted access to senior management and the board (Inter. Std. 1100). Also, the CAE must communicate and interact directly with the board (Attr. Std. 1111).

Answer (A) is incorrect. Under this arrangement, the internal audit activity will not have direct access to the board; the access will be indirect via the controller. Answer (C) is incorrect. Whether the controller has experience with internal auditors does not affect the internal audit activity's independence. Answer (D) is incorrect. Although desirable, the CIA designation is not mandatory for a person to become an internal auditor. A CIA should insist on independence for the internal audit activity.

3. The correct answer is (C).

REQUIRED: The best governance structure.

DISCUSSION: Risk management is a key responsibility of senior management and the board. To achieve its business objectives, management ensures that sound risk management processes are in place and functioning. Boards have an oversight role to determine that appropriate risk management processes are in place and that these processes are adequate and effective. In this role, they may direct the internal audit activity to assist them by examining, evaluating, reporting, and/or recommending improvements to the adequacy and effectiveness of risk management processes (PA 2120-1, para. 1). Management and the board are responsible for their organization's risk management and control processes. However, internal auditors acting in a consulting role can assist the organization in identifying, evaluating, and implementing risk management methodologies and controls to address those risks (PA 2120-1, para. 2).

Answer (A) is incorrect. Internal auditors are generally involved in the assurance and advisory role. The board has an oversight role. Answer (B) is incorrect. Management performs the implementation role in risk management, and the board has an oversight role. Internal auditors are generally involved in the assurance and advisory role. Answer (D) is incorrect. Management is responsible for risk management, not the oversight role performed by the board.

2. The correct answer is (D).

REQUIRED: The factor(s) contributing to a lack of independence.

DISCUSSION: The CEO's statement suggests that the internal audit activity lacks the support of senior management and the board. Furthermore, the lack of outside audit committee members may contribute to a loss of independence. The board's failure to approve the charter may have the same effect. The charter enhances the independence of the internal audit activity. By specifying the purpose, authority, and responsibility of the internal audit activity, it establishes the position of internal audit in the organization, including the nature of the chief audit executive's functional reporting relationship with the board (Inter. Std. 1000).

Answer (A) is incorrect. The other facts listed could also contribute to a lack of independence. Answer (B) is incorrect. Lack of support by the CEO and lack of a charter weaken the internal audit activity's position. Answer (C) is incorrect. Lack of support by the CEO weakens the internal audit activity's position.

4. The correct answer is (C).

REQUIRED: The implication of the yield curve.

DISCUSSION: The term structure of interest rates is the relationship between yield to maturity and time to maturity. This relationship is depicted by a yield curve. Assuming the long-term interest rate is an average of expected future short-term rates, the curve will be upward sloping when future short-term interest rates are expected to rise. Furthermore, the normal expectation is for long-term investments to pay higher rates because of their higher risk. Thus, long-term interest rates have a higher annualized yield than short-term rates.

Answer (A) is incorrect. The yield curve does not reflect the credit risk premium of bonds. Answer (B) is incorrect. The yield curve does not reflect the credit risk premium of bonds. Answer (D) is incorrect. Long-term interest rates should be higher than short-term rates.

4.3 MULTIPLE-CHOICE ANSWERING TECHNIQUES

The following suggestions are to assist you in maximizing your score on each part of the CIA exam. Remember, knowing how to take the exam and how to answer individual questions as you study and review is as important as studying/reviewing the subject matter tested on the exam.

1. **Budget your time.** We make this point with emphasis. Just as you would fill up your gas tank prior to reaching empty, so too should you finish your exam before time expires.
 - a. In Part 1, you will have 2 hours and 30 minutes (150 minutes) to answer 125 multiple-choice questions. In Parts 2 and 3, you will have 2 hours (120 minutes) to answer 100 multiple-choice questions.
 - b. If you allocate 1 minute per question, you will require 125 minutes in Part 1 to answer all questions, leaving 25 minutes to review your answers and “flagged” questions (discussed further in item 2. below). You will also allocate 1 minute per question in Parts 2 and 3. Because there are 100 questions on each of these 2-hour parts, you will spend 100 minutes answering questions and still have 20 minutes for review. If you pace yourself during the exam, you will have adequate time. As you work through the exam, make sure to monitor your time. Your goal is to answer all questions in the time allotted to maximize your score.
 - c. On your Pearson VUE computer screen, the time remaining appears in the top right corner of the screen. Study Unit 6, Subunit 9, includes details on how to track your progress on the wipeboard Pearson VUE will provide using minutes:seconds.
2. **Answer the items in consecutive order.**
 - a. Do **not** agonize over any one item. Stay within your time budget.
 - b. Never leave a question unanswered. Make your best guess in the time allowed. Your score is based on the number of correct responses out of the total scored questions, and you will not be penalized for guessing incorrectly.
 - c. Note any items you are unsure of and had to make a best guess for by clicking the “Flag for Review” button in the upper-right corner of your screen and return to them later if time allows. Plan on going back to all the questions you flagged.
3. **For each multiple-choice question,**
 - a. **Try to ignore the answer choices.** Do not allow the answer choices to affect your reading of the question.
 - 1) If four answer choices are presented, three of them are incorrect. These incorrect answers are called **distractors** for good reason. Often, distractors are written to appear correct at first glance until further analysis.
 - 2) In computational items, distractors are carefully calculated such that they are the result of making common mistakes. Be careful and double-check your computations if time permits.
 - 3) When possible, determine the correct answer before looking at the answer choices. However, sometimes you must read the answer choices to determine the best answer, as in the example in b.1)a) below.
 - b. **Read the question carefully** to determine the precise requirement.
 - 1) Focusing on what is required enables you to ignore extraneous information and to proceed directly to determining the correct answer.
 - a) Be especially careful to note when the requirement is an **exception**; e.g., “Which of the following is **not** an indication of fraud?”

- c. **Read the answer choices carefully.**
 - 1) Even if the first answer appears to be the correct choice, do not skip the remaining answer choices. Questions often ask for the “best” of the choices provided. Thus, each choice requires your consideration.
 - 2) Treat each answer choice as a true/false question as you analyze it. Utilizing the True/False quiz in Gleim Online will help with this skill.
- d. **Click on the best answer.**
 - 1) If you are uncertain, you have a 25% chance of answering the question correctly by blindly guessing. Improve your odds with educated guessing (as discussed in Subunit 4.4, “Educated Guessing”).
 - 2) For many of the multiple-choice questions, two answer choices can be eliminated with minimal effort, thereby increasing your chance of a correct answer from 25% to 50%.
- 4. After completing your first pass through all the questions, return to the ones that you flagged.
- 5. While answering questions, make sure you are within your time budget so you will have enough time to review your answers in an unhurried manner.

4.4 EDUCATED GUESSING

The CIA exam often includes questions that are poorly worded or confusing. Expect the unexpected and move forward. Educated guessing is a must. When you encounter such a question on the exam, do not let it affect your concentration or take up too much time. Use your best guess and move on. Gleim will continue to improve review material based on customer feedback and information releases from the test administrator.

If you don't know the answer, make an educated guess. First, rule out answers that you feel are obviously incorrect. Second, speculate on The IIA's purpose and/or the rationale behind the question. Third, select the best answer or guess between equally appealing answers. Flag the question by clicking on the “Flag for Review” button in case you have time to return to it for further analysis. However, unless you made an obvious mistake or computational error, try to avoid changing answers at the last minute. Your first guess is usually the most intuitive.

If you cannot make an educated guess, pick the most intuitive answer. Never leave a question unanswered.

NOTE: Our recommendation to aid you in perfecting educated guessing is to take multiple-choice and true/false quizzes in CIA Gleim Online BEFORE you study each study unit. This is discussed further in “How to Study a Study Unit Using the Gleim CIA Review System” on page 33.

4.5 MULTIPLE-CHOICE TIME BUDGETING AND CONTROL WITH GLEIM PRACTICE EXAMS

Using the Gleim study system, you will do a minimum of two 20-question Practice Exams for each study unit to help you answer multiple-choice questions in 1 minute each. Practice makes perfect!

Live by and thrive on 20-question Practice Exams. We use 20-question Exams because they are of sufficient length to work you but are not too long. Based on decades of experience, we are very confident recommending and using 20-question Exams. You will have no trouble budgeting your time on the CIA exam after extensive practice with 20-question Practice Exams.

Each Practice Exam should be completed in 20 minutes (plus 10 minutes for review) under exam conditions. Practice flagging questions you wish to return to but select the best answer for each question on your first pass.

It is imperative that you review each question you flagged and/or answered incorrectly after you have completed each Exam. Analyze and understand why you answered each question incorrectly. This step is an essential learning activity because you learn more from each question of which you were unsure or answered incorrectly than from questions answered correctly. In other words, you learn from your mistakes, as we all do. It is important to learn and understand the subject matter tested **and** how to answer questions when you are unsure of the correct answer.

Learning From Your Mistakes

Learning from questions you answer incorrectly is very important. Each question you answer incorrectly is an **opportunity** to avoid missing actual test questions on your CIA exam. Thus, you should carefully study the answer explanations provided until you understand why the original answer you chose is wrong, as well as why the correct answer indicated is correct. This study technique is clearly the difference between passing and failing for many CIA candidates.

Also, you **must** determine why you answered questions incorrectly and learn how to avoid the same error in the future. Reasons for missing questions include

1. Misreading the requirement (stem)
2. Not understanding what is required
3. Making a math error
4. Applying the wrong rule or concept
5. Being distracted by one or more of the answers
6. Incorrectly eliminating answers from consideration
7. Not having any knowledge of the topic tested
8. Employing bad intuition when guessing

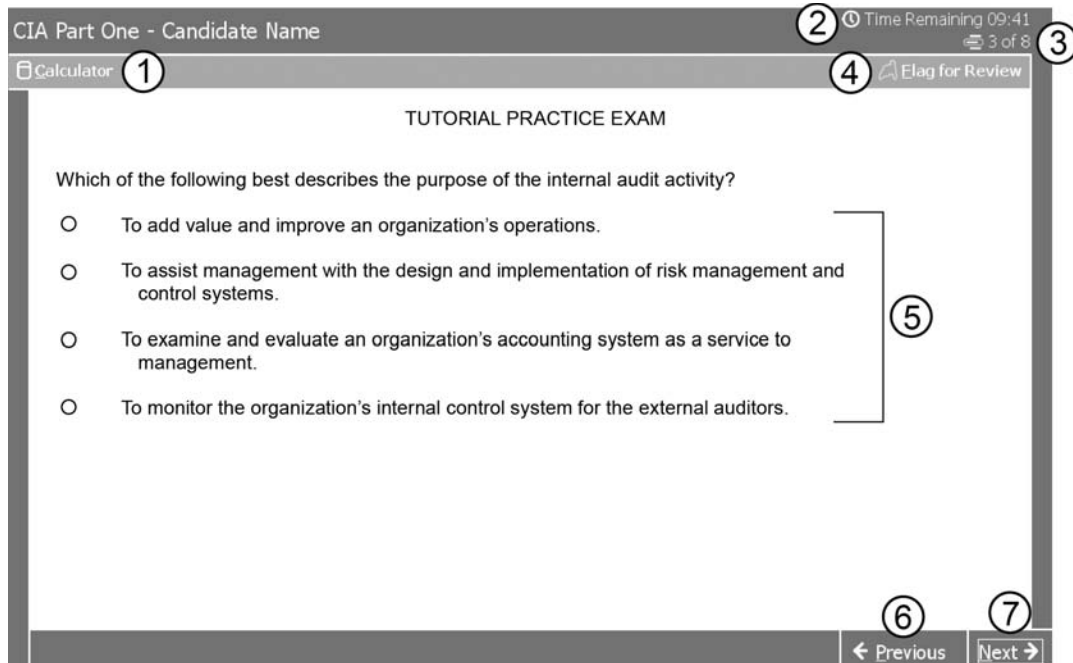
It is also important to verify that you answered correctly for the right reasons. Otherwise, if the material is tested on the CIA exam in a different manner, you may not answer it correctly.



Avoid studying Gleim questions to learn the correct answers. Use Gleim questions to help you learn how to answer CIA questions under exam conditions. Expect the unexpected and be prepared to deal with it. Become an educated guesser when you encounter questions in doubt; you will outperform the inexperienced exam taker.

4.6 TOOLBAR ICONS AND NAVIGATION

Below is an emulation of what you can expect to see when you take the CIA exam (based on Pearson VUE's **Testing Tutorial and Practice Exam** as well as The IIA's **CBT Exam Tutorial**). Gleim strongly suggests that you access and work your way through the entirety of both tutorials. Become familiar with the calculator, methods of navigation, review screen, etc. Doing so, along with using the Pearson VUE-emulating screens in Gleim CIA Test Prep, Gleim Online, and Gleim Exam Rehearsal, will put you completely at ease with the exam environment on test day.



1. Calculator: For use in calculating values in the exam. Click the icon for the exhibit window to appear.
2. Time Remaining: Indicates the time you have left. You can choose to minimize this reminder during the exam by clicking on its icon.
3. Question Number: The question number you are currently working on is displayed in contrast to how many total there are on the exam. You can choose to minimize this reminder during the exam by clicking on its icon. Remember that you will have 125 questions in Part 1 and 100 questions in Parts 2 and 3.
4. Flag for Review: Click on the flag icon to indicate a question you wish to return to. Keep these to a minimum while doing practice exams and on your real CIA exam so as to maintain the 1-minute-per-question time budget. To unflag a question, click on the icon again. (Subunit 4.8 has more details.)
5. Answer Choice: Click anywhere on the line of the text to select. (Be aware that stray clicks can change your answer. Do not click an area of an answer choice unless that is your intended answer.)
6. Previous: Move to previous question (backward).
7. Next: Move to next question (forward).

Using the Scroll Bar

If you encounter a question that does not fit on the screen in its entirety, use the scroll bar that will appear along the side of the screen. To scroll, you can either click on the scroll bar and drag it or click on the arrows at the top and bottom of the scroll bar.

Make certain that you have seen the entire question by always checking to see if the scroll bar appears. If you attempt to complete a question without scrolling to the bottom of the screen, a prompt may appear to remind you to scroll down.

4.7 ENGLISH DISPLAY SCREEN

If you are taking the CIA exam in a language other than English, you may choose to view an English translation of any question on the exam.

To view the translation, click on the English button below the question. A separate screen will open and display the English translation of the current question. Close the translation when you are finished with it by clicking on the X in the lower-right corner of the translation screen.

4.8 REVIEW SCREEN

When you have flagged for review or answered all the questions, the Review Screen will be displayed. Each question is displayed with the status of that question: answered, flagged for review, or incomplete (unanswered).

You will be able to review your questions by choosing to

- Review All** questions and answers
- Review Incomplete** questions and answers only
- Review Flagged** questions and answers only

The computer will then generate your review based on which questions you chose to be included. During this review, you will be able to go back to your main Review Screen by selecting the Review Screen button. Once you are through with your review, you will click on the End Review button and then confirm that you are, in fact, finished with the review, which means you are also finished with the exam. Once you have clicked “Yes” on this screen, you will no longer be able to return to your exam.

CIA Part One - Candidate Name
⌚ Time Remaining 08:36

Exam Review

Instructions

Below is a summary of your answers. You can review your questions in 3 different ways.

The buttons in the lower right corner correspond to these choices:

- Review All - Click to review all the questions and answers.
- Review Incomplete - Click to review only the questions that were left incomplete.
- Review Flagged - Click to review only the questions that are flagged for review. (Click the flag icon to change the flag for review status.)

Select the End Review button to continue.

Tutorial (8 Questions, 2 Incomplete)

🚩 Question 1	Complete	🚩 Question 4	Complete	🚩 Question 7	Incomplete
🚩 Question 2	Complete	🚩 Question 5	Complete	🚩 Question 8	Incomplete
🚩 Question 3	Complete	🚩 Question 6	Complete		

➡ End Review
🚩 Review All
✖ Review Incomplete
🚩 Review Flagged

Once you have ended your review, you will be asked to complete a survey on your testing experience. The survey will take approximately 5 minutes. When you have completed the survey, click the End Exam button in the bottom left corner. Click Yes to confirm you would like to end your exam, then see your Test Administrator for a copy of your unofficial results.

CIA Test Prep Practice Exams, CIA Gleim Online, and the Gleim CIA Exam Rehearsal offer candidates the same testing experience as the real CIA exam. We have researched every nuance of Pearson VUE's environment and duplicated it in our course so that you will be completely comfortable and in control during your entire experience.

STUDY UNIT FIVE

PREPARING TO PASS THE CIA EXAM

(6 pages of outline)

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Preparing to sit for the CIA exam requires planning and control, i.e., a control system. This study unit suggests study and preparation procedures to maximize your test scores.

5.1 HOW TO BE IN CONTROL

You have to be in control to be successful during exam preparation and execution. Control is a process that we use in all our activities, implicitly or explicitly. The objective is to improve performance as well as be confident that the best possible performance is being generated. **What is control?** Control is a process whereby you

1. Develop expectations, standards, budgets, and plans
2. Undertake activity, production, study, and learning
3. Measure the activity, production, output, and knowledge
4. Compare actual activity with expected and budgeted activity
5. Modify the activity, behavior, or study to better achieve the desired outcome
6. Revise expectations and standards in light of actual experience
7. Continue the process or restart the process in the future

The control process is applicable to all of your endeavors, both professional and personal. You should refine your personal control processes specifically toward passing the CIA exam.

Unless you are a natural at something, most endeavors will improve with explicit control. This is particularly true with the CIA examination.

1. Develop an explicit control system over your study process.
2. Practice your question-answering techniques (and develop control) as you prepare solutions to recent CIA questions during your study program.
3. Plan to use the Gleim Time Management System at the exam.

Also, notice the similarity between being prepared and being in control. When you are prepared, you know what to expect and what to do to **pass the exam!** Preparation is the key to success on the CIA exam. Control is exactly what *How to Pass the CIA Exam: A System for Success* and the other components of the Gleim Knowledge Transfer System™ give you.

5.2 DETERMINE ORDER OF EXAM PARTS

Candidates can sign up to take one part at each sitting.

Part 1 of the CIA exam covers the basics of internal auditing and some regulatory requirements from the Standards and Code of Ethics. Part 2 requires analysis of the internal audit basics covered in Part 1 and introduces a few new topics, including fraud. Part 3 is composed of about 30% material from Part 1 and Part 2 (at the same level of difficulty) plus 70% new material covering many areas that internal auditors need to have an awareness of for practice. This overlapping coverage, the required level of knowledge, and candidate feedback all indicate that it is best to take the parts in numerical order, from Part 1 to Part 3.

Most important is for you to set up a plan and IMPLEMENT your plan.

5.3 APPLY TO TAKE THE EXAM

After studying the overview of the CIA exam in Study Unit 1 and our suggestions on the order and timing of your exam schedule, decide when and where you will take the exam. Check your upcoming schedule thoroughly to make sure you have plenty of time to study. When you register, you will have a 180-day period in which to schedule and sit for your exam.

Use the Gleim Study Planner and the Exam Checklist to make sure you are on track and have all the items you need.

5.4 DEVELOP YOUR STUDY PLAN

Remember that the exams are offered year-round with no black-out dates or windows. Candidates should plan to complete all three parts in 1 year.

Once you have applied for your first part, complete study unit after study unit in sequential order. Remember that you will never be completely prepared AND that you may have to go on to the next study unit with a 75% (or less) correct response rate on multiple-choice questions. Stay on schedule and focus on a reasonable and attainable objective: PASSING!

Different people will be able to study for different amounts of time per week. Your completion rate will depend on your personal circumstances (e.g., how familiar you are with the material, your level of education, elapsed time since your degree was earned, how much time you have available to study, how long you can concentrate in one sitting, etc.).

The Gleim Study Planner, which is available through Gleim Online, allows you to personalize your study schedule based on your commitments, limitations, etc. Speak to a Gleim Personal Counselor for assistance in staying on track.

Call (888) 874-5346 ext. 498 or email personalcounselor@gleim.com.

5.5 WHEN AND WHERE TO STUDY

You should study when you study best, i.e., whenever you are most productive and able to focus. The exam center is very quiet; candidates should complete practice exams in a similar environment so they are comfortable on exam day. Other activities compete for your time, but CIA preparation should not be your lowest priority. Determine what time-consuming activities you can temporarily give up or defer. Set up a regular schedule with goals regarding how much you will complete in one sitting. This will give you a feeling of accomplishment.

Study wherever you can concentrate. The Gleim **CIA Review System** is presented in multimedia for your convenience. Home, work, public transportation, hotels, libraries, and restaurants are all possible study areas. Find study areas that are quiet, well lit, and free of distractions.

5.6 PRELIMINARY TESTING: GLEIM CIA DIAGNOSTIC QUIZ

The Gleim CIA Diagnostic Quiz (www.gleim.com/QuizCIA) provides a representative sample of 40 multiple-choice questions for each exam part. You should use this tool to determine how much time you need to devote to studying particular topic areas (i.e., what your strengths and weaknesses are). It also provides you with the actual exam experience, i.e., what you will encounter when you take the CIA exam at Pearson VUE.

When you have completed the quiz, you will be able to access a Review Session, where you can study answer explanations for the correct and incorrect answer choices of the questions you answered incorrectly. You will also have the option to consult with a Personal Counselor in order to better focus your review on any areas in which you have less confidence.

Candidates who have already purchased the Gleim CIA Review System should skip this separate Diagnostic Quiz and immediately follow the steps in Subunit 5.7, which incorporate study-unit-specific diagnostic testing.

5.7 HOW TO USE THE GLEIM CIA REVIEW SYSTEM

To ensure that you are using your time effectively, we have formulated a three-step process that includes all components together and should be applied to each study unit.

Step 1: Diagnostic

1. Multiple-Choice Quiz #1 (20 minutes, plus 10 minutes for review) – In Gleim Online, complete Multiple-Choice Quiz #1 in 20 minutes. This is a diagnostic quiz, so it is expected that your scores will be lower.
 - a. Immediately following the quiz, review the questions you flagged and/or answered incorrectly. For each question, analyze and understand why you flagged it or answered it incorrectly. This step is essential to identifying your weak areas. “Learning From Your Mistakes” on page 27 has tips on how to determine why you missed the questions you missed.

Step 2: Comprehension

1. Audiovisual Presentation (30 minutes) – The Gleim Online presentation provides an overview of the study unit. The Gleim CIA Audio Review can be substituted for audiovisual presentations.
2. True/False Quiz (45 minutes) – Complete the True/False quiz in Gleim Online and receive immediate feedback.
3. Knowledge Transfer Outline (60-80 minutes) – Study the Knowledge Transfer Outline, particularly the troublesome areas identified from your Multiple-Choice Quiz #1 in Step 1. The Knowledge Transfer Outlines can be studied either online or from the books.
4. Multiple-Choice Quiz #2 (20 minutes, plus 10 minutes for review) – Complete Multiple-Choice Quiz #2 in Gleim Online.
 - a. Immediately following the quiz, review the questions you flagged and/or answered incorrectly. This step is an essential learning activity. “Learning From Your Mistakes” on page 27 has tips on how to determine why you missed the questions you missed.

Step 3: Application

1. CIA Test Prep (40 minutes, plus 20 minutes for review) – Complete two 20-question quizzes using the Practice Exam feature. Spend 20 minutes taking each quiz and then spend about 10 minutes reviewing each quiz as needed.

Final Review

1. CIA Exam Rehearsal (2.5 hours/150 minutes for Part 1, 2 hours/120 minutes for Parts 2 and 3) – Take the Exam Rehearsal at the beginning of your final review stage. It contains 125 multiple-choice questions for Part 1 and 100 multiple-choice questions for Parts 2 and 3, just like the CIA exam. This will help you identify where you should focus during the remainder of your final review.
2. CIA Test Prep (10-20 hours) – Use Test Prep to focus on your weak areas identified from your Exam Rehearsal. Also, be sure to do a cumulative review to refresh yourself with topics you learned at the beginning of your studies. View your performance chart to make sure you are scoring 75% or higher.

The times mentioned above are recommendations based on prior candidate feedback and how long you will have to answer questions on the actual exam. Each candidate's time spent in any area will vary depending on proficiency and familiarity with the subject matter.

The following is a detailed description of Gleim products that will prepare you to pass the CIA exam according to the steps given on the previous page and above (including the Final Review).

5.8 CIA GLEIM ONLINE

CIA Gleim Online is a multi-platform, self-study review program delivered via the Internet. It is divided into three courses (one for each part of the CIA exam) and contains IIA-released, multiple-choice questions in an interface designed to emulate the CIA exam.

Each course contains

- Audiovisual presentations
- Comprehensive review book outlines
- Hundreds of multiple-choice and true/false questions
- Core concepts with an overview of each study unit's key points

CIA Gleim Online provides you with access to our intuitive Gleim Study Planner and a Personal Counselor, who will provide support to ensure your competitive edge. CIA Gleim Online is a great way to gain confidence as you prepare with Gleim. This confidence will continue during and after the exam.


5.9 GLEIM OUTLINES

When applicable, the Gleim CIA Review books have the following features to make studying easier:

1. **Guidance Designations:** In an effort to help CIA candidates better grasp The IIA authoritative literature, we have come up with the visual indicators shown below to help candidates easily identify each type of guidance.

2.1 INDEPENDENCE OF THE INTERNAL AUDIT ACTIVITY	
Attribute and Performance Standards <ul style="list-style-type: none"> • Larger and bolder border • Light green background color 	<div style="border: 2px solid black; padding: 10px; background-color: #d9ead3;"> <p style="text-align: center;">Attribute Standard 1100 <u>Independence and Objectivity</u></p> <p>The internal audit activity must be independent, and internal auditors must be objective in performing their work.</p> </div>
Interpretation <ul style="list-style-type: none"> • Larger and bolder border • Light blue background color • Indented 	<p>1. Independence</p> <p>a. Independence is an organizational attribute of the internal audit activity as a whole. The IIA clarifies this distinction in the following Interpretation (objectivity is discussed in Subunit 2.2):</p> <div style="border: 2px solid black; padding: 10px; background-color: #d9e1f2;"> <p style="text-align: center;">Interpretation of Standard 1100 (para. 1)</p> <p>Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels.</p> </div> <p>1) Dual reporting separates functional reporting and administrative reporting. Dual reporting is explained in item 3. on the next page.</p>
Implementation Standards <ul style="list-style-type: none"> • Regular border • Gray background color • Indented 	<div style="border: 2px solid black; padding: 10px; background-color: #d3d3d3;"> <p style="text-align: center;">Implementation Standard 1110.A1</p> <p>The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results.</p> </div>

2. **Gleim Success Tips:** These tips supplement the core exam material by suggesting how certain topics might be presented on the exam or how you should prepare for an issue.



Many questions on the CIA exam address controls. Few such questions are answerable based on memorization of lists. Moreover, no text can feasibly present comprehensive lists of procedures. Thus, candidates must be able to apply reasoning processes and knowledge of auditing concepts to unfamiliar situations involving controls. By answering our questions, you will be able to synthesize, understand, and apply internal control theory. **Analysis** results in an understanding of a situation, set of circumstances, or process. **Synthesis** involves developing standards and generalizations for a situation, set of circumstances, or a process. It is a means of combining individual components or parts to produce a whole. Synthesis requires inductive reasoning, which is reaching a generalized conclusion from particular instances. **Evaluation** is relating a situation, set of circumstances, or process to predetermined or synthesized standards. Evaluation usually includes both analysis and synthesis. This skill set will allow you to answer any question on the CIA exam with confidence.

3. **Memory Aids:** We offer mnemonic devices to help you remember important concepts.

The following memory aid is for the functions that should be kept separate for proper segregation of duties:

A	Authorization
R	Recordkeeping
C	Custody

4. **Examples:** Illustrative examples, both hypothetical and those drawn from actual events, are set off in shaded, bordered boxes.

EXAMPLE

Assume a sample is taken from a population of 500. According to standard acceptance sampling tables, if the sample consists of 25 items and not one is defective, the probability is 93% that the population deviation rate is less than 10%. If 60 items are examined and no defects are found, the probability is 99% that the deviation rate is less than 10%. If two defects in 60 units are observed, the probability is 96% that the deviation rate is less than 10%.

5.10 CIA TEST PREP

CIA Test Prep is an online question bank that offers unlimited Practice Exams to give you unprecedented studying potential. Twenty-question Practice Exams in the CIA Test Prep will help you focus on your weaker areas. Make it a game: How much can you improve?

Our CIA Test Prep Practice Exams force you to commit to your answer choice before looking at answer explanations; thus, you are preparing under true exam conditions. They also keep track of your time and performance history for each study unit, which is available in either a table or graphical format. Using Cloud technology, your performance data can be synced to any computer or mobile device so you can study anywhere.

The CIA Practice Exams emulate the Pearson VUE exam environment so you know exactly what to expect on exam day.

5.11 GLEIM AUDIO REVIEW

Gleim CIA Audio Review provides between 20 and 25 minutes of quality review for each study unit. Each review provides an overview of the outline for each study unit in the *CIA Review* book. The purpose is to get candidates started so they can relate to the questions they will answer before reading the study outlines in each study unit. The reviews are available via download from our website.

The audios get to the point, as does the entire Gleim System for Success. We are working to get you through the CIA exam with minimum time, cost, and frustration. You can listen to a sample review on our website at www.gleim.com/accounting/demos.

5.12 IF YOU HAVE QUESTIONS ABOUT GLEIM MATERIALS

Gleim has an efficient and effective way for candidates to submit a content-related inquiry and receive a response regarding Gleim materials directly through their course. This system also allows you to view your Q&A session from an accounting expert in your Gleim Personal Classroom.

Questions regarding the information in this booklet (study suggestions, studying plans, exam specifics) should be emailed to personalcounselor@gleim.com.

Questions concerning orders, prices, shipments, or payments should be sent via email to customerservice@gleim.com and will be promptly handled by our competent and courteous customer service staff.

For technical support, you may use our automated technical support service at www.gleim.com/support, email us at support@gleim.com, or call us at (888) 874-5346.

STUDY UNIT SIX

HOW TO TAKE THE CIA EXAM

(6 pages of outline)

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The purpose of this study unit is to focus you on what to expect on test day and how to react. It includes a general explanation of examination site instructions, rules, and procedures. You have to be prepared as to what to expect so you are not distracted from your mission of **passing the exam!**

6.1 HAVE A POSITIVE MENTAL ATTITUDE

You are in control with the Gleim CIA Review System, which is based upon a systematic, thorough review of all material tested on the CIA exam. It is not hit or miss. The Gleim method does not involve guessing about what will appear on the next CIA exam. **You will be prepared for any and all questions.** If a question appears difficult to you, it will be **more** difficult for other candidates.

You have done your best to prepare, and you will do your best when you take the exam. No one can ask for more. Be proud.

6.2 STUDY YOUR EXAM SITE LOCATION AND ACCESS THE TUTORIALS

Pearson VUE testing sites vary in how they are operated. Talk to someone who took an exam at the site you plan to use. Ask him or her for information about the site and for any suggestions (s)he might have. Additionally, make sure you know where the exam site is and how to get there before test day.

A few days prior to taking your exam, call your Pearson VUE testing center and confirm your appointment; leave as little as possible to chance. Review Subunits 6.4-6.6 so you are aware of all Pearson VUE rules and regulations.

Become familiar with every aspect of the test-taking experience by taking the Gleim Exam Rehearsal™ and taking advantage of the following two tutorials:

1. Pearson VUE's Testing Tutorial and Practice Exam
2. The IIA's CBT Exam Tutorial

6.3 THE DAY OF YOUR CIA EXAM

On the day of your exam, plan on getting to the testing site about 30-60 minutes ahead of your appointment time. Leave all study materials in your car or at home. If you must, you can bring snacks, drinks, etc., to the testing site, but you must leave these items in a locker or a designated area. Pearson VUE asks that you arrive 30 minutes early, but they may ask you to wait up to 30 minutes to start your test.

Be sure to wear comfortable clothes. Sweats, shorts, and jeans are very appropriate. Wear layers according to your usual body temperature because you will not be allowed to remove any outerwear once you are in the testing room. Generally, wear what you wear when you are most comfortable studying. Remember that coats, umbrellas, books, and attaché cases cannot be accommodated at the exam site. Thus, you should not take something that you do not want to lose.

6.4 PEARSON VUE TEST CENTER RULES FOR THE CIA EXAM

The following procedures for taking the CIA exam at Pearson VUE have been paraphrased from The IIA's December 2014 *Certification Candidate Handbook*.

1. Arrive 30 minutes early and bring your appointment confirmation letter, your Authorization to Test notification, and your identification (discussed further in item 4. below). If you arrive at the test center less than 30 minutes before your scheduled appointment, you may be denied access to the test center and be considered a "no-show." If you are considered a "no-show," your registration will be voided, you will forfeit your exam registration fee, and you will be required to register and pay for that exam again in order to sit for it in the future.
2. The test center administrator will show you where to store your personal items. You must place all personal belongings, including purses, wallets, watches, jewelry, cell phones, etc., in the storage lockers (or other secured location) provided by the test center. Do not bring anything to the test center unless it is absolutely necessary.
3. The administrator will provide you with a copy of the Candidate Rules Agreement. You must accept the terms of this agreement.
4. You must provide one form of acceptable identification (e.g., driver's license, passport, military identification, etc.). You must keep this identification with you at all times during the exam. If you leave the testing room for any reason, you will be required to show your identification to be readmitted.
5. The administrator will capture your signature (digital or pen) and verify that your signature matches that on your identification (if any).
6. Your fingerprint and/or palm vein image will be captured, and a digital photograph of your face will be made. The fingerprint is optional, but the photograph is mandatory.
7. If you have brought a nonelectronic translation dictionary, the administrator will check it to be certain that it is acceptable and does not contain any markings or inserted material. See the *Certification Candidate Handbook* for dictionary specifications.
8. You will be offered an erasable note board and pen on which you can take notes during the exam. You cannot take any notes from the test center.
9. An onscreen calculator will be available during the exam. If you prefer a hand-held calculator and the test center has one available, you may request to be provided with one. You will not be allowed to bring a personal calculator or any other such device with you into the testing room.
10. You will be required to sign the test center log prior to being admitted to the test.
11. If you leave the testing room for any reason, you will be required to sign the test center log and show your identification.

12. You will not be allowed to bring any food or drink into the testing room.
13. You will be escorted to a workstation by the exam proctor. You must remain in your seat during the exam, except when authorized to leave the testing room.
14. After you are logged into your exam, proceed through the welcome and nondisclosure agreement screens without delay. There is a time limit on the initial screens, and if that time limit is exceeded, the exam session will automatically begin.
15. If you encounter ANY computer problem, report it immediately to the exam proctor.
16. When you finish the exam, including the short survey, leave the testing room quietly, turn in your note board, and sign the test center log. The test center staff will provide you with a printed “unofficial” score report and dismiss you after completing all necessary procedures.

NOTE: Your score will become official once The IIA publishes the score to The IIA Certification Candidate Management System. This normally takes a few days. Exam scores may be suspended, voided, or otherwise invalidated after becoming official if The IIA discovers errors or evidence of cheating or other improper activity.

6.5 CIA CANDIDATE MISCONDUCT AND CHEATING

The following information is quoted directly from the *Certification Candidate Handbook*:

Pearson VUE staff is trained to watch for unusual behavior and incidents during the exam. Exam sessions are audio/videotaped to document the occurrence of any unusual activity, and candidate misconduct will be reported to The IIA for investigation.

If you violate any of the testing rules, attempt to remove test items from the center, or are disruptive to other candidates, your exam may be terminated and/or your test scores invalidated.

The IIA and its Professional Certifications Board consider candidate misconduct related to the certification process a serious offense. Incidents of candidate misconduct will be referred to The IIA’s Global Ethics Committee for action. Actions by The IIA’s Global Ethics Committee may include invalidation of exam results, disqualification from participation in all IIA certification programs (current and future), and publication of the results of their due process in an IIA publication. If evidence of misconduct is discovered after a candidate has been awarded an IIA certification, the certification may be revoked. The IIA may also take other actions to the extent permitted by law.

6.6 WHAT TO TAKE TO THE EXAM/IDENTIFICATION REQUIREMENTS

1. Your appointment confirmation letter from Pearson VUE
2. Your Authorization to Test notification from The IIA
3. Your identification
 - a. Identification must
 - 1) Contain your name exactly as you provided it during the exam registration process (as it appears on your Pearson VUE exam appointment confirmation letter)
 - 2) Have a permanently affixed photo of your face
 - 3) Be current
 - 4) Be an original document (not a photocopy)

- b. Acceptable forms of identification include
 - 1) Government-issued driver's license
 - 2) Passport
 - 3) Military ID (except those with chips)
 - 4) Permanent resident visa
 - 5) Credit card with photo (meeting requirements)
- c. Unacceptable forms of identification include
 - 1) Employee ID/work badge
 - 2) University/college ID
- 4. Directions to the testing center
 - a. Alternatively, make sure you have the address in your GPS and are familiar with the route.
- 5. A non-electric translation dictionary, if needed
 - a. Bring a dictionary you are already familiar with, but make sure there are **no markings** in it.

6.7 REPORTING CONCERNS

The following information is quoted directly from the *Certification Candidate Handbook*:

If you have questions, comments, or concerns regarding the testing experience or with exam questions, please submit an incident report in your CCMS record. Please note that although The IIA will review all comments provided regarding exam questions, all scored exam questions have been validated before administration of the exam. The IIA will not re-grade or otherwise change a candidate's grade after the test administration based on these comments.

6.8 BEGINNING YOUR EXAM

After you check in with your ID, you will be escorted to a computer station. There will be candidates taking many different exams in the room with you (financial exams, medical exams, etc.)

Do not start the test right away. Once you sit down, make sure you get situated by testing your pens, properly adjusting your chair, and taking a deep breath before touching your computer. The timer does not start until you see the first question, so take a few minutes and make sure you are in control by mentally preparing and relaxing.

Candidates may encounter pens that do not work, so test both pens before you start the timer. If a pen is not writing well at the beginning, it will not improve during the exam, so raise your hand and trade it out. (You can trade a pen out if it stops working at any time during your exam, but that will take valuable testing time and can be stressful.)

As soon as your exam starts, use the wipe board to write up a Gleim Time Management System sheet to help you be in control of your time. This process is discussed in detail in Subunit 6.10.

6.9 EXAM DAY TIPS

You will receive about five laminated note boards (wipe boards) bound into a notebook and two special pens. The pens are a cross between a dry erase marker and a permanent marker. The ink will smudge if you touch it immediately, but cannot be erased once it has dried.

Be aware that stray clicks can change your answer, so you must not click in the area of the answer choices unless you mean to click on the answer. Gleim's emulation of the exam environment includes this functionality, so you will not have any surprises on exam day.

Dedicate one page of your wipe board to questions you have flagged. Create three columns at the top: the question number, the choice(s) you think are best, and any relevant notes. As you take the exam, if you do not know an answer in a reasonable amount of time, make an educated guess and flag the question, then write the question number and answer(s) that you think are viable on your wipe board and move to the next question.

When you come back to your flagged questions, first verify that you did not misunderstand the question and/or answer choices (such as looking for the best answer instead of the worst answer). READ the question. If your original understanding was correct, go with the answer you originally guessed unless you strongly feel there is a better answer. If your original understanding was wrong, you would likely be able to pick out the best answer based off of your corrected understanding.

Some testers have noted that hard questions come in waves on the exam. If you notice that the questions are consistently hard for a while, don't panic, even if you get behind schedule. Instead, remain calm and increase the use of flagging questions as mentioned above.

6.10 THE GLEIM TIME MANAGEMENT SYSTEM FOR PART 1

A major issue on the CIA exam is time management. The only help you get is in minutes and seconds remaining in your test with no guidance for breaks or time allocation among questions.

We have prepared a Gleim Time Management System for the CIA exam. For Part 1, you must budget your time so you can complete 125 multiple-choice questions in 2 hours and 30 minutes (150 minutes). The key to success is to become proficient in answering multiple-choice questions at a rate of 1 minute per question.

1. Here is our suggestion for successfully managing your time on Part 1:

Multiple-choice section:	125 questions @ 1 minute per question	125 min.
	Review of unanswered, marked questions	25 min.
	<hr/> Section complete in 150 minutes	

2. Since the computer screen shows minutes:seconds remaining, you need to focus on minutes:seconds, NOT time on your watch. Throughout your practice on exam questions, always think in terms of minutes:seconds. If you are averaging 1 minute per question, you would begin a new set of 20 questions every 20 minutes with the following minutes:seconds displayed on-screen:

Question 1	150:00
Question 21	130:00
Question 41	110:00
Question 61	90:00
Question 81	70:00
Question 101	50:00
Question 121	30:00

You would finish 125 questions with just under 30 minutes to review.

- Use a portion of the wipe board provided by Pearson VUE for your Gleim Time Management System at the exam (see our example below). Thus, as soon as the exam starts, write 1, 21, 41, 61, etc., in the left column followed by 150:00, 130:00, 110:00, 90:00, etc., respectively. As you complete each set of 20 questions, note when you finish, and then start the next set.

<u>QuestionSet</u>	<u>Start</u>	<u>Finish</u>	<u>Notes</u>
1	150:00		
21	130:00		
41	110:00		
61	90:00		

6.11 THE GLEIM TIME MANAGEMENT SYSTEM FOR PARTS 2 AND 3

For Parts 2 and 3, you must complete 100 multiple-choice questions in 2 hours (120 minutes). Like Part 1, the key to success is to answer questions at a rate of 1 minute per question.

- If you are averaging 1 minute per question on Parts 2 and 3 and begin a new set of 20 questions every 20 minutes, you will have the following minutes:seconds displayed on-screen:

Question 1	120:00
Question 21	100:00
Question 41	80:00
Question 61	60:00
Question 81	40:00

You would finish 100 questions at 0 hours and 20 minutes, leaving you 20 minutes to review.

- Create your Gleim Time Management System (see above for a template) as soon as your exam starts. Note 1, 21, 41, etc., in the left column followed by 120:00, 100:00, 80:00, etc., respectively.
- As you complete each set of 20 questions, note when you finish and start the next set.

6.12 GENERAL TIME MANAGEMENT ADVICE

A final note about time management: We have offered a suggested time budget. This budget is simply a suggestion. You must establish your multiple-choice question-answering techniques to develop your personal time budget.

Practice makes perfect. It is certainly reasonable for you to develop a multiple-choice question-answering technique that results in a per-question rate of 1 minute. The built-in review time from this method means that you have spare time to take longer on a few difficult questions if necessary; on the other hand, becoming proficient at answering questions in less than 1 minute will give you the advantage of extra time to review on your actual exam.

Any extra time you build into your overall budget should be used wisely. Ultimately, you want to make full use of all time available instead of leaving Pearson VUE early with all of your extra time unused.

CIA EXAM WORKSHEET

PART ____[†]

	DATE COMPLETED	DATE RECEIVED
1. Create a profile in The IIA's CCMS	<input type="text"/>	
a. Wait for email with IIA Candidate ID.		<input type="text"/>
2. Apply to CIA Certification Program	<input type="text"/>	
a. Wait for confirmation email.		<input type="text"/>
3. Register for an exam part	<input type="text"/> *	
* You have 180 days from this date to sit for the exam.		
a. Wait for authorization to schedule email. When you receive it, print it out and paper-clip it to this worksheet to take to the exam site on exam day.		<input type="text"/>
4. Create a profile at Pearson VUE	<input type="text"/>	
a. Wait for email from Pearson VUE confirming your account.		<input type="text"/>
5. Schedule your exam at Pearson VUE	<input type="text"/>	
a. Wait for confirmation email. When you receive it, print it out and paper-clip it to this worksheet to take to the exam site on exam day.		<input type="text"/>

[†] You can print a copy for each exam part by going to www.gleim.com/PassCIA.

Exam Date _____ Exam Time _____

Exam Location _____ [Print out directions to site and paper-clip them to this worksheet.]

Checklist of Items to Bring

Appointment Confirmation

Authorization to Schedule

Valid/Current Identification
(See Study Unit 6.6 in this booklet
for a list of valid identification)

Directions to Testing Center

Translation Dictionary (optional)

“ I found in Gleim books a valuable support for preparing for the CIA exams: they are written in a very clear way, the method suggested for studying the content is very effective, and the information is organized in a rational way....Gleim material is an authoritative source for passing CIA exams at the first attempt and, even more important, is a reference for a "real life" auditor. **”**

Alessandro Segalini, CISA, CIA, IIA 2014 Gold Medal Winner

“ The Gleim CIA Review played an integral role in my passing of the CIA Exam part on the first try and earning the Silver Medalist Award... Gleim's study materials thoroughly covered each topic for every part of the exam, and reinforced those concepts with relevant multiple choice questions at the end of every study unit. Ironically, I also utilized Gleim materials 25 years ago when I passed all parts of the CPA Exam on the first try! Gleim materials have an excellent track record and are where I turn to for success in certifications. **”**

Douglas S. Schmidt, CIA, CPA, IIA 2011 Silver Medal Winner

“ I recently passed the CIA exam utilizing the Gleim Review System. I attribute my success to Gleim! I felt that the system provided me with a structured study plan and guidance throughout the process. My personal counselor was very knowledgeable and responsive. I would definitely recommend the Gleim system to anyone preparing for the CIA. **”**

Ashley McWilliams, CIA

What our customers are saying

Have questions about the CIA Exam?

GLEIM[®] has answers.

This booklet contains all the information
you need to pass the CIA Exam.



Includes

- ✦ Basics about the CIA program and the Exam format
- ✦ Topics you will be tested on
- ✦ Specifics on content preparation and grading
- ✦ Multiple-Choice question-answering techniques
- ✦ Suggestions on how to study efficiently and effectively
- ✦ Advice for test day

You can also view a digital copy of this booklet at
gleim.com/PassCIA



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